# Ministry of Advanced Education
# Student Aid Fund

# Annual Report for 2014-15

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Government of Saskatchewan

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# Letters of Transmittal

*The Honourable Scott Moe*
*Minister of Advanced Education*

Her Honour, the Honourable Vaughn Solomon Schofield,

Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Student Aid Fund for the fiscal year ending March 31, 2015. The financial statements included in the report were prepared by the Ministry of Advanced Education and audited by the Provincial Auditor of Saskatchewan.

Scott Moe

Minister of Advanced Education

The Honourable Scott Moe,

Minister of Advanced Education

Dear Minister Moe:

We, the Trustees of the Student Aid Fund, have the honour of presenting the Annual Report of the Saskatchewan Student Aid Fund for the fiscal year ending March 31, 2015.

During the year under review, the programs provided through the Fund contributed to a high degree of accessibility to post-secondary education and provided services to meet the needs of individuals and communities in Saskatchewan.

Financial assistance provided through the Fund aligns with the strategies and key actions identified in the 2014-15 Plan for the Ministry of Advanced Education to support Government's goal of sustaining growth and opportunities for Saskatchewan people.

Respectfully submitted,

Louise Greenberg, Ph.D.
Trustee

Clare Isman
Trustee

Kent Campbell
Trustee

Government of Saskatchewan

# Introduction

The 2014-15 Annual Report of the Saskatchewan Student Aid Fund provides an overview of the Fund's organization and financial assistance provided in the form of loans, bursaries, and grants. The report also includes the Fund's March 31, 2015 financial statements.

## Highlights

**Highlights of the Saskatchewan Student Aid Fund in 2014-15**

- Saskatchewan Student Loans totalling $52,966,306 were disbursed to 12,470 full-time students.
- Students were provided with $29,516,658 in debt reduction benefits.
- Students having difficulty repaying their loans were provided with $794,835 in benefits primarily through the Repayment Assistance Plan.
- Saskatchewan Student Grants in excess of $65,000 were disbursed to students with permanent disabilities and part-time students.
- Total loans receivable were $86,846,349.
- Federal awards totalling $1,204,049 were disbursed through the Fund.
- Saskatchewan Student Loan Forgiveness for Nurses and Nurse Practitioners provided $54,010 to 65 nurses and nurse practitioners.

## Alignment with Government's Direction

The Ministry's activities in 2014-15 align with Government's vision and four goals:

## Our Government's Vision

A strong and growing Saskatchewan, the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life.

**Government's Goals**

- Sustaining growth and opportunities for Saskatchewan people.
- Meeting the challenges of growth.
- Securing a better quality of life for all Saskatchewan people.
- Delivering responsive and responsible government.

Together, all ministries and agencies support the achievement of Government's four goals and work towards a secure and prosperous Saskatchewan.

The Saskatchewan Student Aid Fund supports Government's goal of sustaining growth and opportunities for Saskatchewan people and the Ministry's strategy of supporting students to attend school and complete their advanced education.

# Ministry Overview

**The Saskatchewan Student Aid Fund**

The Saskatchewan Student Aid Fund was created in 1949 by the Government of Saskatchewan to ensure students would not be denied access to post-secondary education or training by lack of financial resources. Since then, the Fund has assisted thousands of individuals to reach their educational and career goals.

Authority for administration of the Saskatchewan Student Aid Fund is provided by *The Student Assistance and Student Aid Fund Act, 1985* and related Regulations. This legislation calls for:

- three trustees to administer the Fund;
- a Scholarship, Bursary and Loan Committee to make recommendations to the Minister; and
- the Ministry over which the Minister presides to operate the Fund.

The Student Aid Fund administers programs that provide repayable and non-repayable financial assistance to qualified Saskatchewan residents enrolling in approved programs of study.

The Saskatchewan Student Loans Program has evolved over the years with the goal of continuing to improve access for Saskatchewan students. Throughout this process, many changes have been implemented to streamline the assessment, approval and repayment of student loans.

The Canada-Saskatchewan Integrated Student Loans Program, for loans issued on or after August 1, 2001, is delivered jointly by the Governments of Canada and Saskatchewan. Financial assistance provided through the program is aligned, where possible, to provide maximum benefit to the student.

The 2014-15 Saskatchewan Student Aid Fund Annual Report represents only Saskatchewan loans and grants. The exception is federal programs that are issued or administered through the Fund. Borrowers are also likely to have received federal loans and grants and may have received funding from other sources as well. Annual report information on the federal portion of loans and grants can be found online at www.esdc.gc.ca/en/reports/cslp_cesp/index.page.

# Student Financial Assistance Programs

## Full-time Student Loans

Financial assistance for full-time Saskatchewan Student Loans is provided through the Canada-Saskatchewan Integrated Student Loans Program. All applications are assessed to determine the applicant's financial need by subtracting the contributions expected from the student and the student's family from the educational and living costs allowed under the program.

The maximum Saskatchewan Student Loan that can be authorized is $198 per week of study, except medical students, who receive an additional $167 per week of study. Upon completion of the student's period of study, the student may be eligible for a number of debt reduction benefits that reduce the amount repayable. In addition, there are a number of provisions to accommodate students with permanent disabilities.

## Interest-Free Status

The provincial government pays the interest on student loans while the student is attending a designated educational institution full-time. The student is responsible for the interest on student loans from the first day of the first month after the student ceases full-time study.

The student is not responsible for interest that accrues on student loans between academic periods if the break is six months or less, and appropriate documentation is submitted.

Students who are attending a designated educational institution as a full-time student, but who are not receiving financial assistance, may keep any federal and provincial student loans in interest-free status during their academic periods by submitting appropriate documentation.

## Debt Reduction Benefits

The purpose of debt reduction benefits is to help reduce the amount the student will have to repay. All debt reduction benefits are automatically applied following the study period first against the student's Saskatchewan loan and, in cases where funds remain, then applied to the federal debt.

The ***Saskatchewan Student Bursary*** provides assistance of a maximum amount of $140 per week of study to all students (except graduate students, medical students and students who are above middle-income for their entire study period) with loan assistance exceeding $210 per week of study.

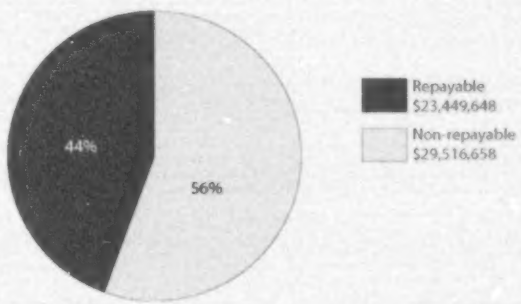
The ***Saskatchewan Student Grant for Students from Low-Income Families*** provides assistance in the amount of $58 per week of study (or about $250 per month) to low-income students enrolled in one year programs and to students enrolled in graduate and post- graduate programs.

The ***Saskatchewan Student Grant for Students from Middle-Income Families*** provides assistance in the amount of $23 per week of study (or about $100 per month) to middle-income students enrolled in one-year programs and to students enrolled in graduate and post-graduate programs.

The ***Saskatchewan Student Grant for Low-Income Students with Dependant Children*** provides assistance in the amount of $47 per week of study per dependant (or about $200 per month per dependant) to low-income students with dependant children between the ages of 12 and 18.

Fifty-six per cent of the Saskatchewan assistance disbursed in 2014-15 was non-repayable.

2014-15 Repayable and Non-Repayable Assistance




*Data source: AE Student Services and Program Development records*

## Repayment of Student Loans

Students with Canada-Saskatchewan Integrated Student Loans make payment arrangements with the National Student Loans Service Centre. Students with loans issued prior to August 2001 must make arrangements with lenders holding their loans.

Options are available to students who are unable to meet the repayment terms of their loan agreements. The terms may be revised or interest and repayment relief may be provided.

The Saskatchewan Student Loan Forgiveness for Nurses and Nurse Practitioners program provides up to $4,000 per year in Saskatchewan Student Loan forgiveness to a maximum of $20,000 over five years to a nurse or nurse practitioner working in a Saskatchewan community of 10,000 people or less.

## Debt Management Tools

When a borrower is unable to meet the repayment terms, there are a variety of debt management tools available for borrowers with a Canada-Saskatchewan Integrated Student Loan or borrowers with a Canada-Saskatchewan Integrated Student Loan and a Saskatchewan Student Loan issued prior to 2001.

The ***Repayment Assistance Plan – Stage 1*** provides repayment deferral to eligible borrowers for a maximum of 60 months. Borrowers with incomes below minimum thresholds do not make monthly payments. Borrowers with incomes above minimum thresholds, but insufficient to cover their entire required payment make affordable payments that are applied first to principal and then to interest.

The ***Repayment Assistance Plan – Stage 2*** provides loan forgiveness to borrowers demonstrating prolonged financial hardship who have either exhausted Repayment Assistance – Stage 1 benefits or who have been in repayment for ten years. Borrowers with incomes below minimum thresholds do not make monthly payments. Borrowers with incomes above minimum thresholds, but insufficient to cover their entire required payment, make payments they can afford. The province will cover the balance to ensure the borrower's debt is completely paid fifteen years after loan consolidation.

The Permanent Disability Benefit is available to all borrowers regardless of when their loan was issued and whose disability prohibits employment or retraining. For borrowers with less severe disabilities where the potential for employment or retraining are impaired, an ***Accelerated Repayment Assistance Plan*** provides loan forgiveness over a maximum ten year period. Under the Accelerated Repayment Assistance Plan, borrowers with incomes above minimum thresholds but insufficient to cover their entire required payment make affordable payments.

Borrowers with only a Saskatchewan Student Loan issued prior to 2001 receive ***Interest Relief/Extended Interest Relief*** benefits which provide repayment deferral for a maximum of 54 months to eligible borrowers who are experiencing financial hardship. Borrowers who remain in financial difficulty after receiving Interest Relief and Extended Interest Relief may receive ***Debt Reduction in Repayment***. The Saskatchewan loan principal may be reduced by up to $3,000.

## Other Saskatchewan Student Grants

The ***Saskatchewan Student Grant for Services and Equipment for Persons with Permanent Disabilities*** provides a maximum of $2,000 per year to Saskatchewan students to cover exceptional education-related expenses directly related to the student's permanent disability.

The ***Saskatchewan Student Grant for Part-Time Studies*** provides for direct educational costs up to a maximum of $800 per year to high-need students who are enrolled in part-time studies.

## Federal Awards Issued or Administered through the Student Aid Fund

The ***Canada Student Grant for Services and Equipment for Persons with Permanent Disabilities*** provides a maximum of $8,000 per year to students to cover exceptional education-related expenses directly related to the student's permanent disability. The grant is administered by the Ministry of Advanced Education. Cheques and tax receipts are issued through the Saskatchewan Student Aid Fund.

# Summary of Awards and Benefits: 2014-15

Highlighted below is a summary of awards and benefits to assist students in the pursuit of post-secondary education.

| Summary of Awards and Benefits: 2014-15 | Number of Students | Total Amount |
|---|---|---|
| **Full-Time Loans** | | |
| Saskatchewan Student Loans Disbursed | 12,470 | $ 52,966,306 |
| **Debt Reduction Benefits** | | |
| Saskatchewan Student Bursary | 9,828 | $ 26,349,215 |
| Saskatchewan Student Grant for Persons from Low-Income Families | 1,767 | $ 2,178,107 |
| Saskatchewan Student Grant for Persons from Middle-Income Families | 824 | $ 367,005 |
| Saskatchewan Student Grant for Low-Income Persons with Dependent Children | 400 | $622,331 |
| **Debt Management Tools** | | |
| Repayment Assistance Plan – Stage 1 | 2,719 | $ 225,195 |
| Repayment Assistance Plan – Stage 2 | 289 | $ 267,688 |
| Accelerated Repayment Assistance Plan for Borrowers with a Permanent Disability | 399 | $ 257,294 |
| Permanent Disability Benefit | 4 | $ 44,658 |
| Interest Relief | 0 | N/A |
| Saskatchewan Student Loan Forgiveness for Nurses and Nurse Practitioners | 65 | $ 54,010 |
| **Other Saskatchewan Student Grants** | | |
| Saskatchewan Student Grant for Services and Equipment for Persons with Permanent Disabilities | 44 | $ 28,307 |
| Saskatchewan Student Grant for Part-time Studies | 57 | $ 37,933 |
| **Federal Awards** | | |
| Canada Student Grant for Services and Equipment for Persons with Permanent Disabilities | 324 | $ 1,204,049 |

*Data Source: AE Student Services and Program Development records*

# 2014-15 Financial Overview

## Financial Results

### Management's Responsibility for Financial Statements

The accompanying financial statements are the responsibility of the management of the Ministry of Advanced Education. They have been prepared in accordance with Canadian public sector accounting standards, using management's best estimates and judgments where applicable.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Trustees of the Student Aid Fund are responsible for ensuring that management fulfills its responsibilities for financial reporting, internal control and administering the Fund in accordance with *The Student Assistance and Student Aid Fund Act, 1985* and related Regulations. The Trustees meet with management to satisfy themselves that management's responsibilities are properly discharged and to review the financial statements. The accompanying financial statements for the year ended March 31, 2015 have been approved by the Trustees of the Student Aid Fund.

The Provincial Auditor of Saskatchewan has audited the financial statements of the Student Aid Fund in accordance with Canadian generally accepted auditing standards and her report follows.

Regina, Saskatchewan
May 14, 2015

Scott Giroux
Executive Director
Ministry of Advanced Education

# Provincial Auditor's Report

PROVINCIAL AUDITOR
*of Saskatchewan*

**INDEPENDENT AUDITOR'S REPORT**

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Student Aid Fund, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Student Aid Fund as at March 31, 2015, and the results of its operations and changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
May 14, 2015

Judy Ferguson, FCPA, FCA
Acting Provincial Auditor

1500 Chateau Tower · 1500 Broad Street · Regina, Saskatchewan · S4P 1Y2
t 306.787.6398 f 306.787.6383 e info@auditor.sk.ca
} www.auditor.sk.ca

# Financial Statements

**Statement 1**

## Saskatchewan Student Aid Fund
## Statement of Financial Position

| As at March 31 | (thousands of dollars) | |
|---|---|---|
| | 2015 | 2014 |
| **Financial Assets** | | |
| Due from General Revenue Fund (Note 7) | $8,354 | $9,043 |
| Accrued Interest | 18 | 25 |
| Other Receivables | 1,031 | 1,258 |
| Student Loans Receivable (Note 4) | 86,846 | 79,399 |
| **Total Financial Assets** | **$96,249** | **$89,725** |
| **Liabilities and Net Financial Assets** | | |
| **Liabilities:** | | |
| General Revenue Fund Loan (Note 8) | $91,004 | $85,004 |
| General Revenue Fund Interest Payable | 534 | 645 |
| Due to Royal Bank of Canada (Note 5) | 465 | 642 |
| Other Accounts Payable | 137 | 151 |
| **Total Liabilities** | **$92,140** | **$86,442** |
| **Net Financial Assets (Statement 2)** | **$4,109** | **$3,283** |

*See accompanying notes to financial statements*

# Saskatchewan Student Aid Fund
## Statement of Operations and Changes in Net Financial Assets

| For the Year Ended March 31 | (thousands of dollars) | | |
|---|---|---|---|
| | Budget (Note 10) | Actual 2015 | Actual 2014 |
| **Revenue:** | | | |
| Appropriation from the General Revenue Fund | $32,500 | $32,000 | $30,400 |
| Grant - Canada Student | 1,300 | 1,010 | 1,349 |
| Grant - Federal Transition | - | - | (6) |
| Interest Revenue from the General Revenue Fund | 80 | 91 | 120 |
| Interest on Student Loans | 1,940 | 1,862 | 1,770 |
| Loan Discount Amortization | 1,525 | 1,599 | 1,460 |
| Recovery of Bad Debt | 150 | 184 | 158 |
| Other Income | - | 38 | 191 |
| | **$37,495** | **$36,784** | **$35,472** |
| **Expense:** | | | |
| Saskatchewan Student Bursaries | $26,000 | $26,349 | $25,800 |
| Low- and Middle- Income Student Grants | 2,652 | 2,545 | 2,660 |
| Student Grants for Persons with Dependants Age 12 to 18 | 624 | 622 | 504 |
| Provincial Student Grants - Other | 100 | 65 | 61 |
| Bursaries and Scholarships | - | - | 185 |
| Canada Student Grants | 1,300 | 1,203 | 1,071 |
| Interest Grants to Students | 1,865 | 1,603 | 1,907 |
| Royal Bank Interest Differential | - | 9 | 12 |
| Repayment Assistance Plan | 1,050 | 1,058 | 2,012 |
| Nurses Loan Forgiveness | 225 | (87) | (8) |
| Permanent Disability/Death Benefit | 89 | (26) | 178 |
| Bad Debt Expense | 2,820 | 38 | (1,078) |
| Interest on General Revenue Fund Loan | 2,400 | 2,219 | 2,247 |
| Service Provider Costs | 185 | 168 | 187 |
| Collection Costs | 185 | 192 | 148 |
| | **$39,495** | **$35,958** | **$35,886** |
| (Decrease) Increase in Net Financial Assets for the Year | $(2,000) | $826 | $(414) |
| Net Financial Assets, Beginning of Year | 3,283 | 3,283 | 3,697 |
| **Net Financial Assets, End of Year - to Statement 1** | **$1,283** | **$4,109** | **$3,283** |

*See accompanying notes to financial statements*

**Statement 3**

## Saskatchewan Student Aid Fund
## Statement of Cash Flows

| For the Year Ended March 31 | (thousands of dollars) 2015 | 2014 |
|---|---|---|
| **Cash Receipts from (used in) Operating Activities** | | |
| Receipts from General Revenue Fund | $32,000 | $30,400 |
| Receipts from Federal Government | 1,195 | 1,857 |
| Receipts from Student Loan Repayments Including Interest | 17,218 | 17,700 |
| Receipts of Bank Interest | 98 | 140 |
| Payment of Student Loan Disbursements | (52,977) | (52,075) |
| Payments to Royal Bank | (155) | (200) |
| Payments for Scholarships, Grants and Other Student Support | (1,366) | (1,481) |
| Payments of Interest on General Revenue Fund Loan | (2,330) | (2,107) |
| Payments of Service Provider Fees and Collection Costs | (372) | (317) |
| **Total Operating** | **$(6,689)** | **$(6,083)** |
| **Cash Receipts from (used in) Financing Activities** | | |
| Receipts from General Revenue Fund Loan | $53,500 | $53,000 |
| General Revenue Fund Loan Repayments | (47,500) | (50,500) |
| **Total Financing** | **$6,000** | **$2,500** |
| Net (Decrease) in Due from General Revenue Fund | $(689) | $(3,583) |
| Due from General Revenue Fund, Beginning of Year | 9,043 | 12,626 |
| **Due from General Revenue Fund, End of Year** | **$8,354** | **$9,043** |

*See accompanying notes to financial statements*

# Notes to the Financial Statements

## March 31, 2015

### 1. Authority

The Saskatchewan Student Aid Fund (the Fund) operates under the authority of *The Student Assistance and Student Aid Fund Act, 1985*. The primary purpose of the Fund is to support the Saskatchewan Student Loan Program. The Trustees of the Student Aid Fund administer the Fund.

### 2. Description of the Program

Under the terms of the Saskatchewan Student Loan Program, student loans are provided to qualifying individuals based on a determination of need. Loans are interest-free while the student is in full time studies and for a maximum of six months between periods of study. They become repayable on the first day of the seventh month following discontinuance of studies or graduation; however, interest begins to accrue on the first day of the first month following discontinuance of studies or graduation.

Program benefits, including maintenance of loans in interest-free status during periods of study, bursary and grant debt reduction benefits and debt management benefits, are tied to loan years, which commence August 1 and end July 31 of each year.

Provincial student loans managed through the Student Aid Fund consist of:

- loans financed by the Province issued prior to August 1, 1996;
- loans financed by Royal Bank during the period August 1, 1996 to July 31, 2001; and
- loans financed by the Province effective August 1, 2001, under the Canada-Saskatchewan Integration Agreement for the Administration of Federal and Provincial Student Loans.

Benefits of the Saskatchewan Student Loan Program are available to borrowers under all three program regimes.

For Canada-Saskatchewan integrated student loans issued under the Canada-Saskatchewan Integration Agreement for the Administration of Federal and Provincial Student Loans:

- the Ministry of Advanced Education (the Ministry) provides loan authorization for both Saskatchewan and Canada loans;
- an external agency (service provider) manages loan disbursement, administration and repayment; and
- the Government of Canada is responsible for the collection of bankrupt and defaulted loans.

## 3. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian public sector accounting standards. The following accounting policies are considered significant.

**a) Accrual Basis**

The financial statements are prepared on the accrual basis of accounting.

**b) Revenues**

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Interest on Student Loans and Interest Revenue from the General Revenue Fund are recorded when receivable.

Recovery of Bad Debt is recorded when received.

**c) Expenses**

Saskatchewan Student Bursaries, Low- and Middle-Income Student Grants and Student Grants for Persons with Dependants Age 12 to 18 are recorded as eligibility criteria are met by students over their period of study.

The Royal Bank Interest Differential, Repayment Assistance Plan, Nurses Loan Forgiveness, Permanent Disability/Death Benefit, and Bad Debt Expense are recorded based on estimates of expected utilization.

Interest Grants to Students reflect the cost of holding student loans in interest-free status during periods of study. The cost is recorded at the time of loan disbursement and amortized to revenue over the estimated interest-free term (Loan Discount Amortization).

Interest on General Revenue Fund Loan, Collection Costs and Service Provider Costs are recorded in the period that the expense was incurred.

Canada Student Grants, Provincial Student Grants – Other and Bursaries and Scholarships are expensed when approved and eligibility criteria are met.

**d) Use of Estimates**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Measurement uncertainty impacts Student Loans Receivable (Note 4) and Due to Royal Bank of Canada (Note 5).

**e) Financial Instruments**

The Fund's significant financial instruments consist of Due from General Revenue Fund, Accrued Interest, Other Receivables, Student Loans Receivable, General Revenue Fund Loan, General Revenue Fund Interest Payable, Due to Royal Bank of Canada and Other Accounts Payable.

Due from General Revenue Fund, Accrued Interest, Other Receivables, Other Accounts Payable, and General Revenue Fund Interest Payable are all short-term in nature and as such their carrying value approximates fair value.

The Student Loans Receivable, General Revenue Fund Loan and Due to Royal Bank of Canada are long-term in nature. As there is no market for selling or settling these assets or liabilities, the determination of the fair value of these assets and liabilities is not practicable. The General Revenue Fund Loan is carried at cost. Due to Royal Bank is carried at present value.

**f) Student Loans Receivable**

Student loans are carried at the amount advanced plus accrued interest. Simple interest is charged on loans following the interest-free in school period. Payments on loans are first applied to interest, then to outstanding principal.

For loans held by the Fund, allowances are deducted from loans receivable for the following:

i) estimated uncollectible loans due to default on repayment, based on past collection experience;

ii) the cost of holding student loans in interest-free status; and

iii) estimated debt reduction and debt management benefits.

## 4. Student Loans Receivable

| | (thousands of dollars) | |
|---|---|---|
| | 2015 | 2014 |
| Loans outstanding, beginning of year | $143,447 | $137,838 |
| **Add:** | | |
| New loans during the year | 52,966 | 52,076 |
| Legal Fees added to Accounts Receivable | 2 | 9 |
| Royal Bank buybacks | 4 | - |
| Interest earned on student loans | 2,123 | 2,048 |
| **Deduct:** | | |
| Loan repayments net of payments on written off accounts | (16,997) | (18,209) |
| Amounts authorized to reduce loans | (29,305) | (30,315) |
| Loans written off | (6,104) | - |
| **Gross student loans receivable, end of year** | **$146,136** | **$143,447** |
| **Deduct:** | | |
| Allowance for Repayment Assistance Plan | (7,807) | (7,374) |
| Allowance for Nurses Loan Forgiveness | (594) | (733) |
| Allowance for Permanent Disability/Death | (532) | (640) |
| Interest Grants to Students | (2,610) | (2,602) |
| Student Bursaries Payable | (19,160) | (18,319) |
| Low- and Middle-Income Student Grants Payable | (1,500) | (1,515) |
| Student Grants for Borrowers with Dependants Age 12 – 18 | (407) | (357) |
| Allowance for Uncollectible Loans | (26,680) | (32,508) |
| **Student loans receivable, end of year** | **$86,846** | **$79,399** |

Student Loans Receivable consist of amounts owing by borrowers for loans granted prior to the Canada-Saskatchewan Integration Agreement (2015 - $0.050 million; 2014 - $0.158 million), and subsequent to the Integration Agreement (2015 - $146.086 million; 2014 - $143.283 million), offset by debt reduction benefits payable, debt management benefits payable and the allowance for uncollectible loans.

Included in the amounts authorized to reduce loans are Student Bursaries, Low- and Middle-Income Student Grants and Student Grants for Persons with Dependants Age 12 – 18.

**Variability in Student Loans Receivable**

Estimation is a factor in the following offsets to Gross Student Loans Receivable:

***Allowance for Repayment Assistance Plan*** is an estimate of future costs based on projected prime rates of interest, projected months of repayment assistance utilization and estimates for program uptake.

***Nurses Loan Forgiveness*** is an estimate of future costs based on projected average debt levels and estimates of program uptake.

***Allowance for Permanent Disability/Death Benefit*** is an estimate of future costs based on estimates of program utilization in relation to projections of future average value of loans in study, loans in repayment and defaulted loans.

***Interest Grants to Students*** is calculated assuming that students remain in school for an average of three years, and applying the Fund's borrowing rate.

***Allowance for Uncollectible Accounts***

The Fund is exposed to losses in the event that borrowers default on repayment of their student loans. The Fund's maximum risk is represented by Gross Student Loans Receivable.

Management estimates are used to determine the dollar value of loans expected to be uncollectible. Interest income continues to be earned on all loans to the point of write-off. The recorded Allowance for Uncollectible Loans includes provision for interest income earned on impaired loans.

The allowances could reasonably be expected to fluctuate in the next twelve months as follows:

| | (thousands of dollars) | | |
|---|---|---|---|
| | 2015 | 2015 | 2014 |
| | Actual | Range of Accruals | Actual |
| Allowance for Repayment Assistance Plan | $7,807 | $5,600 to $10,600 | $7,374 |
| Allowance for Nurses Loan Forgiveness | $594 | $500 to $700 | $733 |
| Allowance for Permanent Disability/Death | $532 | $400 to $600 | $640 |
| Interest Grants to Students | $2,610 | n/a | $2,602 |
| Allowance for Uncollectible Loans | $26,680 | $25,100 to $28,300 | $32,508 |

## 5. Due to Royal Bank of Canada

The Fund estimates amounts due to Royal Bank. Estimation is a factor in the following:

***Repayment Assistance Plan*** is estimated based on projections of prime rates of interest, projected months of repayment assistance utilization and value of loans on Repayment Assistance.

***2.5% Interest Differential*** is estimated based on projections of outstanding loan balances and projections of borrowers who will make required payments.

***Permanent Disability/Death Benefit*** is estimated based on an historical analysis of past claims and projected future loan values.

These allowances could reasonably be expected to fluctuate in the next twelve months as follows:

| | (thousands of dollars) | | |
|---|---|---|---|
| | 2015 | 2015 | 2014 |
| | Actual | Range of Accruals | Actual |
| Repayment Assistance Plan | $347 | $270 to $440 | $472 |
| 2.5% Interest Differential | $79 | $70 to $90 | $124 |
| Permanent Disability/Death | $16 | $0 to $40 | $11 |
| Other Payables | $23 | n/a | $35 |
| **Due to Royal Bank of Canada** | **$465** | | **$642** |

## 6. Financial Instruments and Risk Management

Through its financial assets and liabilities, the Fund is exposed to various risks.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge their responsibilities with respect to the financial instrument, and in so doing, cause a loss for the other party. For the Fund, credit risk is significant with respect to potential non-repayment of student loans.

Mitigation processes aimed at minimizing credit losses begin with procedures that support the granting of loans and are ongoing throughout the loan life cycle such as conducting credit checks, providing repayment support to low-income borrowers, and undertaking well defined procedures for addressing loan delinquencies.

Loans are interest-free during periods of study and become repayable on the first day of the seventh month after graduation or discontinuation of study. The Fund's maximum risk is represented by Gross Student Loans Receivable detailed in Note 4.

The following table sets out details of Gross Student Loans Receivable and allowance for uncollectible loans:

| | (thousands of dollars) | |
|---|---|---|
| | 2015 | 2014 |
| Loans in Study (no payments due) | $80,654 | $74,727 |
| **Loans in Repayment:** | | |
| Current or Receiving Debt Management Benefits | 45,424 | 42,875 |
| Up to 270 Days Past Due (Delinquent) | 2,507 | 2,584 |
| Over 270 Days Past Due (Default) | 17,551 | 23,261 |
| Subtotal – Loans in Repayment * | $65,482 | $68,720 |
| **Total – Gross Student Loans Receivable** | **$146,136** | **$143,447** |
| Allowance for Uncollectible Loans – Ending Balance | (26,680) | (32,508) |
| Debt reduction and debt management benefits payable | (32,610) | (31,540) |
| **Net Student Loans Receivable** | **$86,846** | **$79,399** |

**Includes principal and outstanding accrued interest.*

**Interest Rate Risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Loans in repayment and General Revenue Fund Loan are subject to interest rate risk related to repayment terms.

For Loans in repayment, the current portfolios have effective interest rates of 2.85% to 8.68% (2014 – 3.00% to 6.75%). Interest rates are charged pursuant to *The Student Assistance and Student Aid Fund Regulations, 2001* and *The Saskatchewan Student Direct Loans Regulations.*

For the majority of loans held by the Fund, interest rates are set at the option of the student either at a floating rate or a fixed rate at the time of loan consolidation. The floating rate is equal to prime and the fixed rate equal to prime plus 2.5%.

Interest Rates for consolidated loans are as follows:

| | (thousands of dollars) | |
|---|---|---|
| | 2015 | 2014 |
| **Interest Rate** | **Total Balance** | **Total Balance** |
| 2% - 2.9% | $63,448 | $0 |
| 3% - 3.9% | 0 | 65,168 |
| 4% - 4.9% | 11 | 22 |
| 5% - 5.9% | 50 | 37 |
| 6% - 6.9% | 25 | 75 |
| 7% - 7.9% | 0 | 0 |
| 8% - 8.9% | 4 | 0 |
| **Principal Portion of Loans in Repayment** | **$63,538** | **$65,302** |

The total interest revenue earned on loans in repayment is a small portion of the Fund's total revenue. Changes in interest rates and the resultant increase or decrease in Interest on Student Loans revenue are managed within the Fund's finances or, if necessary, through changes in the appropriation from the General Revenue Fund.

Interest rates for the General Revenue Fund loan are adjusted quarterly and reflect the Province's eight year cost of borrowing. Resources to manage the cost of borrowing are provided to the Fund through an annual appropriation. Variations in interest rates are managed within the Fund's finances or, if necessary, through changes in the appropriation from the General Revenue Fund.

**Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting financial obligations as they fall due. Management undertakes regular cash flow analyses to ensure that there are sufficient cash resources to meet all obligations. Further, the Fund's liquidity risk is minimal as the Fund's bank accounts are supported by the Province of Saskatchewan.

## 7. Due from General Revenue Fund

The Fund's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Fund's earned interest is calculated and paid quarterly by the General Revenue Fund to the Fund using the General Revenue Fund's thirty day borrowing rate and the Fund's average daily bank account balances.

## 8. General Revenue Fund Loan

Effective August 1, 2001, the Province assumed responsibility for the financing of student loans. A loan from the General Revenue Fund is provided to the Student Aid Fund to support this role.

The interest rate charged on the General Revenue Fund Loan is at the Province's eight year cost of borrowing. The Province's average eight year cost of borrowing rate for 2015 was 2.713% (2014 – 2.925%). Under the terms of the loan agreement, the Student Aid Fund makes quarterly loan payments to the General Revenue Fund. The dollar amount of required loan payment is calculated as the sum of debt reduction benefits applied against student loans, the principal portion of student payments received by the Saskatchewan Student Aid Fund and accounts written off.

## 9. Related Party Transactions

In accordance with established government practice, all administrative and occupancy costs are paid by the Ministry. Accordingly, no provision for these costs is reflected in these financial statements. Other related party transactions are disclosed separately in these financial statements.

## 10. Budget

The operating budget was approved by the Trustees of the Student Aid Fund on May 6, 2014.

## For More Information

If you have any questions or comments we invite you to call 1-800-597-8278 or contact:

Ministry of Advanced Education
1120 - 2010 12th Avenue
Regina, Canada S4P 0M3

To obtain more information about the programs and services contained in this Annual Report, please visit our website at saskatchewan.ca.